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Separately Managed Accounts | Global Fixed Income

Intermediate Government/Credit

Marketing communication | As of 31 Mar 2026

Key takeaways

- During the first quarter, the Intermediate Government/Credit strategy performed in line with its benchmark, the Bloomberg Intermediate U.S. Government/Credit Index.
- Security selection, including a higher-quality bias across corporate holdings, and yield curve positioning contributed to performance.
- The strategy had no meaningful performance detractors during the quarter.

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Market review

Economic growth remained solid, although the outlook was clouded by the conflict in the Middle East. Early estimates indicate U.S. gross domestic product (GDP) grew roughly 2.5% year over year in the first quarter, a slight acceleration from 2025's pace. Following earlier signs of softening, the U.S. labor market surprised to the upside in March's report, with unemployment edging down to 4.3%. With the Strait of Hormuz effectively closed amid the Iran conflict, West Texas Intermediate (WTI) oil prices surged in March and ended the quarter above $100 per barrel, after averaging around $60 over the prior three months. While it is too early for this move to materially affect economic activity or reported data, it will likely add upward pressure to global inflation in coming months. Inflation releases — still affected by reporting delays after last quarter's government shutdown — showed the core Personal Consumption Expenditures (PCE) Price Index, the preferred measure used by the Federal Reserve (Fed), at 3.0% year over year through February.

Global central banks generally struck a more hawkish tone at their March meetings, reflecting the risk of higher near-term inflation from rising oil prices. The Fed held rates steady at 3.50%-3.75% in January and March, though some participants revised inflation and rate projections higher. Three other major developed-market central banks — the European Central Bank (ECB), Bank of Japan (BoJ) and Bank of England (BoE) — also left policy unchanged during the quarter. The Reserve Bank of Australia began to tighten amid healthy economic activity, raising rates twice by 25 basis points. Messaging shifted more cautious overall, with the Fed adopting a wait-and-see approach to additional cuts this year. The ECB and BoE highlighted upside inflation risks and signaled that rate hikes remain possible this year, while the BoJ maintained a hawkish stance, emphasizing inflation control over growth risks.

U.S. Treasury yields traded in well-defined range until the Iran conflict escalated, sending rates sharply higher — particularly at the front end of the curve — as expectations for Fed rate cuts were pushed out. The curve flattened as two-year Treasury yields rose 32 basis points over the quarter, while 30-year yields finished only 4 basis points higher. Ten-year Treasury yields increased 12 basis points to 4.30%, as the March selloff reversed an earlier rally.

Credit spreads widened as well, contributing to flat-to-negative total returns across most fixed income asset classes. The broad-based Bloomberg U.S. Aggregate Bond Index returned -0.05% for the quarter.

In the investment grade corporate sector, spreads traded in a 71-93 basis point range. Spreads widened through February amid concerns about artificial intelligence (AI) driven disruption and early signs of stress in private credit. Volatility intensified in March as the Middle East conflict escalated, and the Strait of Hormuz was effectively closed. Despite this challenging backdrop, the asset class proved resilient, with spreads retracing part of the move to end the quarter at 89 basis points. Primary issuance was exceptionally strong, led by Amazon's landmark $37 billion offering. Total investment grade corporate issuance reached $658 billion — the largest first quarter on record and roughly 18% ahead of last year's pace. Sector performance reflected the quarter's key themes: energy-related subsectors outperformed on higher oil prices, while event risk and AI-disruption concerns weighed heavily on media and entertainment, life insurers and finance companies. Overall, the broader investment grade corporate sector underperformed Treasuries, ending the quarter with a total return of -0.54% (Bloomberg U.S. Corporate Bond Index). The strategy's benchmark, the Bloomberg Intermediate U.S. Government/Credit Index, returned -0.02% during the quarter.

Portfolio review

During the quarter, the Intermediate Government/Credit strategy outperformed its benchmark, the Bloomberg Intermediate U.S. Government/Credit Index, on a gross of fees basis but underperformed net of fees.

The primary contributor to performance was security selection within both the investment grade corporate and Treasury sectors. Within corporates, the strategy's higher-quality bias among holdings benefited results. By sector, security selection in finance was the largest contributor, particularly within the insurance subsector.

The strategy's relative yield curve positioning also contributed modestly to results versus the benchmark.

The strategy had no meaningful performance detractors during the quarter.

In the corporate portion of the portfolio, we reinvested maturities and extended duration during the quarter by purchasing Amazon, Waste Management, Abbott Laboratories and UnitedHealth bonds.

In the government portion of the portfolio, we purchased 4-5 year Treasuries in February.

Overall portfolio duration remained close to neutral throughout the quarter, ending the period slightly longer than the benchmark.

Outlook

We have updated our macroeconomic and market forecasts to reflect the likely effects of the war in the Middle East, though uncertainty remains high. We now expect U.S. real GDP growth of 1.8%, 0.2% below our prior forecast, primarily reflecting a likely drag on consumption as higher fuel prices weigh on households. That headwind should be partly offset by a modest lift in business fixed investment from the oil-extraction sector. We have also raised our core inflation forecast by 0.3% to 2.8%, reflecting the pass-through from higher oil prices along with some disinflationary pressure as tariff effects fade. We continue to expect the labor market to remain broadly stable.

In light of these revisions, we now expect the Fed to remain on pause longer than previously anticipated. Instead of a rate cut around mid-year, we now expect the first cut in the second half of the year. Accordingly, the second cut in our forecast will likely shift to 2027. Outside the United States, we continue to expect at least one rate hike from the ECB this year and two hikes from the Bank of Japan. We expect Treasury yields to rally modestly and the yield curve to steepen over the course of 2026. We continue to forecast the 10-year Treasury yield will remain around the 4.00%-4.25% level, likely ending the year near the bottom of that range.

Entering the second quarter, the most consequential risk factors for investment grade corporates are the scale, duration and ultimate resolution of the Middle East conflict, together with the trajectory of global oil prices. The energy price shock is exerting upward pressure on inflation and creating meaningful headwinds for economic growth, while uncertainty about the status of the Strait of Hormuz drives global shipping costs higher, compounding inflationary dynamics. Separately, the extraordinary expansion of AI represents a structural market force with multi-year implications, with AI-driven innovations disrupting traditional business models. Hyperscaler capital expenditure programs, merger and acquisition (M&A) activity and opportunistic prefunding made sizable contributions to first-quarter issuance. That said, we expect supply to moderate from its historic first-quarter pace, with technical support gradually building, though we remain mindful of potential geopolitical disruptions. We expect investment grade corporate spreads to drift modestly wider, trading in a range between 85 and 100 basis points through the second quarter, with the potential for modest tightening amid moderating supply and supportive technicals. Further escalation of geopolitical risks, however, could spark bouts of heightened volatility that challenge this range.

In the corporate bond portfolio, we continue to favor positioning that emphasizes higher credit quality and liquidity. Our preferred high-quality sectors include banking, consumer noncyclical and utilities. We maintain a more selective stance in the basic industry, energy and transportation sectors, given rich valuations and ongoing cyclical risks.

In the government portion of the portfolio, the strategy no longer owns any government-sponsored enterprise (GSE) bonds given the limited supply and lack of relative value versus similar duration Treasuries.

We are currently positioning the portfolio with a modestly long duration and a yield curve steepening bias.

For more information contact: 800.752.8700 or visit nuveen.com

Minimum investment is $250,000.

Important information on risk

All investments carry a certain degree of risk, including possible loss of principal, and there is no assurance that an investment will provide positive performance over any period of time. Fixed income investments emphasize U.S. government agency debt securities. Debt or fixed income securities are subject to credit risk and interest rate risk. The value of and income generated by debt securities will decrease or increase based on changes in market interest rates. Credit risk refers to an issuer's ability to make interest and principal payments when due.

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Glossary

The **Bloomberg U.S. Intermediate Government Index** measures the non-securitized component of the U.S. Aggregate Index with maturities of 1 to 9.999 years. The **Bloomberg U.S. Intermediate Investment Grade Corporate Index** is a broad based benchmark that measures the investment grade, fixed-rate, taxable corporate bond market. It includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers that have between 1 and up to, but not including, 10 years to maturity. The **Bloomberg U.S. Corporate Bond Index** measures the investment grade, fixed-rate, taxable corporate bond market. It includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers. **It is not possible to invest directly in an index.** Clients should consult their financial professional regarding unknown financial terms and concepts.

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